

STATEMENT

INSURANCE ASSOCIATION OF CONNECTICUT

Insurance And Real Estate Committee

March 13, 2012

SB 409, An Act Concerning Disclosures For Certain Life Insurance Policies And Concerning Life Insurance And Annuity Policies That Include Long-Term Care Benefits

The Insurance Association of Connecticut, IAC, strongly supports the concept embodied in Section 2 of SB 409, however, as drafted, this section could have the unintended consequence of permitting some long-term care policies to avoid regulatory oversight.

Conceptually, Section 2 of SB 409 simply amends Connecticut law to permit consumers to use an annuity or life policy to pay for the premiums for long-term care insurance. The industry has developed a product that permits an individual to fund long-term care insurance out of the premium they pay for an annuity or certain life products, known as linked products. These linked products are funded with a single premium up front. The annuity or life product is written with a rider for the long-term care coverage. A monthly charge is taken out of the premium paid up front to fund the long-term care coverage. It is not an additional out-of-pocket charge to the policyholder.

The intent of Section 2 of SB 409 was to amend the current statutory scheme to permit such funding while maintaining the Insurance Department's authority to regulate such products. The insurance industry worked closely with the Insurance Department to carefully craft language to ensure that no regulatory oversight of long-term care products would be lost in this process. Unfortunately Section 2 did not incorporate all of the suggested language and as a result could actually exempt some long-term care products from regulatory oversight.

The IAC respectfully requests that section 2 of SB 409 be amended to remove the unintended consequence and is willing to work with committee to achieve that goal.